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ABSTRACT

Although all public schools could be eligible for federal funds under Elementary and Secondary Education Act (ESEA) and Individuals with Disabilities Act (IDEA) programs, concerns have been raised about whether charter schools are receiving an equitable share of these federal funds. This report describes: (1) how federal Title I and IDEA funds are distributed to charter schools, and the opinions of charter-school operators on whether the distribution is equitable; and (2) which factors appear to be facilitating and impeding charter schools in accessing these funds. The report presents the preliminary findings of an ongoing research project involving case studies in seven states and a telephone survey of a representative sample of charter schools in those states. At the time of publication, 30 out of 50 telephone surveys had been completed. The preliminary results suggest that states are allocating federal funds in much the same manner as they allocate funds to traditional public schools. Most charter-school operators believed that they received an equitable share of federal Title I and IDEA funds. Barriers to accessing Title I and IDEA funds include a lack of enrollment and student-eligibility data, the time and cost involved in applying for funding, and the need for training and technical assistance. Appendices contain data on charter schools operating in school year 1996-97 in selected states, and on charter-school states and the number of schools operating in school year 1996-97. Four tables are included. (LMI)

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CHARTER SCHOOLS

Issues Affecting Access to Federal Funds

Statement of Cornelia M. Blanchette, Associate Director
Education and Employment Issues
Health, Education, and Human Services Division

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Charter Schools: Issues Affecting Access to Federal Funds

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss charter schools' ability to access federal funding—specifically, categorical education grant funds.

Charter schools are a rapidly growing phenomenon, offering a new model for public schools. This model is intended to address a variety of concerns about our educational system, including unresponsive school district bureaucracies, restrictive rules, limited choices among types of public schools, and a lack of accountability for student performance. Charter schools are generally designed to operate with more autonomy than are public schools. In exchange for varying degrees of autonomy from state and local rules and regulations, charter schools are held accountable for meeting the terms of their charters, which include achieving stipulated academic outcomes. Schools that do not meet the terms of their charters face having their charters revoked.

While public schools are primarily financed with state and local revenues, the federal government provides several billion dollars annually to assist public schools in educating our children. For example, during fiscal year 1997, the federal government will provide over $7 billion under title I of the Elementary and Secondary Education Act to help schools provide additional services to disadvantaged children to help close the achievement gap that exists between them and their wealthier peers. In addition, under the Individuals With Disabilities Education Act (IDEA), the federal government helps schools pay for the additional costs incurred in providing a free, appropriate public education to disabled children. This year, the federal government is making $3.5 billion available for this program. While all public schools could be eligible for funds under these programs, concerns have been raised at recent congressional hearings about whether charter schools, as public academic institutions, are receiving an equitable share of these federal funds.

Today, I would like to discuss (1) how federal title I and IDEA funds are distributed to charter schools, and the opinions of charter school operators on whether the distribution is equitable, and (2) what factors appear to be facilitating and impeding charter schools in accessing these funds. My discussion today is based on preliminary results of the ongoing study of these issues that we are conducting at your request. We are conducting case studies in seven states[1] and a telephone survey of a representative sample of charter schools located in these states. These

[1]The states are Arizona, California, Colorado, Massachusetts, Michigan, Minnesota, and Texas.

states accounted for 91 percent of the charter schools operating during the 1996-97 school year. To date, we have completed about 30 of 50 planned telephone surveys of charter schools. Because of the sampling methodology used, our results cannot be applied to the 9 percent of charter schools that operate outside our sample states.[2]

In summary, title I and IDEA funds are allocated to schools that meet established federal, state, and local demographic criteria. These criteria relate to the number of enrolled children from low-income families and the number of enrolled children with disabilities that require special education services. Although most public schools receive funding under these programs, some public schools—including some charter schools—do not meet eligibility criteria and, as a result, do not receive funding. Our preliminary work suggests that states are allocating federal funds to charter schools in much the same manner as they allocate funds to traditional public schools. In general, states either treat charter schools as individual school districts or as components of existing districts. Although charter schools treated as school districts avoid having to meet additional criteria used to distribute funds beyond the district level, our survey results thus far indicate that these schools were no more likely to have received title I and IDEA funds for the 1996-97 school year than were charter schools treated as components of existing school districts. Most charter school operators we surveyed who expressed an opinion told us that they believe they received an equitable share of federal title I and IDEA funds.

While charter schools do not appear to be at a disadvantage in terms of how federal funds are allocated, our survey has revealed a variety of barriers that have made it difficult for charter schools to access title I and IDEA funds. These factors include, for example, a lack of enrollment and student eligibility data to submit to states before funding allocation decisions are made and the time required and the costs involved in applying for such funds, given the amount of funds available. In addition, some charter schools have failed to meet statutory eligibility requirements for receiving federal funds. Charter school operators most often cited training and technical assistance as factors that facilitated their accessing title I and IDEA funds. On the basis of survey responses, some states appear to be making a comprehensive effort to inform charter schools of the availability of federal funds and how to apply for them. For example, charter school operators in Arizona told us that their state department of

[2]App. I shows the number of schools (1) operating in each of the selected states, (2) included in our sample, and (3) responding to our survey.

education notifies them of funding opportunities and application requirements. Charter school operators in other states told us that they received technical assistance from local school districts, while other charter school operators employed consultants to assist them.

Background

Charter schools are public schools that operate under a state charter (or contract) specifying the terms under which the schools may operate. They are established under state law, do not charge tuition, and are nonsectarian. State charter school laws and policies vary widely with respect to the degree of autonomy provided to the schools, the number of charter schools that may be established, the qualifications required for charter school applicants and teachers, and the accountability criteria that charter schools must meet.

Since 1991, 29 states and the District of Columbia have enacted laws authorizing charter schools. In school year 1996-97, over 100,000 students were enrolled in nearly 500 charter schools in sixteen states and the District of Columbia. Most charter schools are newly created. According to the Department of Education, of the charter schools operating as of January 1996, about 56 percent were newly created, while about 33 percent were converted from preexisting public schools and about 11 percent were converted from preexisting private schools.[3] Appendix II shows the states that have enacted charter laws, and the number of charter schools in operation during the 1996-97 school year, by state.

Both the Congress and the administration have shown support for charter schools. For example, in amending the Elementary and Secondary Education Act in 1994, the Congress established a grant program to support the design and implementation of charter schools. In addition, under the Goals 2000: Educate America Act, states are allowed to use federal funds to promote charter schools. The administration proposed doubling the roughly $50 million made available under the new charter school grant program in fiscal year 1997 to $100 million for fiscal year 1998. Finally, in his 1997 State of the Union Address, the President called for the establishment of 3,000 charter schools nationwide by the next century.

In January 1997, the Congress began holding a series of hearings in Washington, D.C., and around the country to explore the effects of various education reform efforts. Among other reform efforts, the Congress has

[3]Not all states allow private schools to convert to charter status.

focused on the recent development of charter schools in various states. Concerns were raised during the hearings by charter school operators and others about whether charter schools were receiving equitable allocations of federal categorical grant funds. Recent research conducted by the Department of Education[4] and by the Hudson Institute,[5] a private, not-for-profit public policy research organization, raised similar concerns. Although dozens of financial aid programs exist for public elementary and secondary schools, two programs—title I and IDEA—are by far the largest federal programs.

Title I Program

Title I is the largest federal elementary and secondary education aid program. The Department of Education administers title I, which received over $7 billion in federal funding in fiscal year 1997. Under the program, grants are provided to school districts—or local education agencies[6] (LEA), as defined in federal statute and regulations—to assist them in educating disadvantaged children—those with low academic achievement attending schools serving relatively low-income areas. The program is designed to provide increasing levels of assistance to schools that have higher numbers of poor children. Nationwide, the Department of Education makes available to LEAs an annual average of about $800 for each child counted in the title I allocation formula.

Under title I, the federal government awards grants to LEAs through state education agencies (SEA). SEAs are responsible for administering the grants and distributing the funds to LEAs. About 90 percent of the funds the Congress appropriates is distributed in the form of basic grants, while about 10 percent is distributed as concentration grants, which are awarded to LEAs serving relatively higher numbers of children from low-income families. Roughly 90 percent of LEAs nationwide receive basic grants.

Federal statutory and regulatory guidelines require LEAs to meet minimum thresholds in order to be eligible for title I funds. To be eligible for basic grants, LEAs generally must have enrolled at least 10 children who are from low-income families, and these 10 children must constitute more than

[4]U.S. Department of Education, Office of Educational Research and Improvement, "A Study of Charter Schools, First Year Report" (Washington, D.C.: Department of Education, May 1997).

[5]Hudson Institute, "Charter Schools in Action," final report (Washington, D.C.: Hudson Institute, July 1997).

[6]Under federal law, the term "local educational agency" means a public board of education or other public authority legally constituted within a state that administratively controls, directs, or performs a service function for public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a state, or for a combination of school districts or counties recognized by a state as an administrative agency for its public elementary or secondary schools.

2 percent of their school-aged population. To be eligible for concentration grants, LEAs generally must have enrolled more than 6,500 children from low-income families, or more than 15 percent of their students must be from low-income families.[7]

An LEA that receives title I funds and has more than one school within its district has some discretion in allocating these funds to individual schools. The LEA must rank its schools[8] according to the proportion of children that come from low-income families enrolled in each school. LEAs must use the same measure of poverty in ranking all their schools, but LEAs have some discretion in choosing a particular measure. LEAs must allocate title I funds or provide title I services first to schools that have more than 75 percent of their students coming from low-income families. After providing funds or services to these schools, LEAs have the option of serving schools that do not meet the 75-percent criterion with remaining funds. Although a LEA is not required to allocate the same per-child amount to each school in its district, it may not allocate a higher amount per child to schools with lower poverty rates than to schools with higher poverty rates.

IDEA Program

IDEA, part B, is a federal grant program administered by the Department of Education that is designed to assist states in paying the costs of providing an education to children aged 3 to 21 with disabilities. The act requires, among other things, states to provide a free appropriate public education to all children with disabilities and requires that they be served in the least restrictive environment possible. The Congress appropriated $3.5 billion for the program in fiscal year 1997. These funds were expected to provide, on average, about $625 of services for each of 577,000 eligible preschool children, and $536 of services for each of 5.8 million eligible elementary and secondary school students.

Federal statutory and regulatory allocation guidelines are less complex under the IDEA program than under title I. Annually, the Department of Education allocates funds to eligible states on the basis of their reported numbers of children receiving special education and related services

[7]In 1994, the Congress amended title I to provide LEAs a third grant type—"targeted assistance" grants. Should the Congress appropriate funds for these grants in the future, funds will be provided to LEAs that serve at least 10 eligible children constituting at least 5 percent of the children served by an LEA.

[8]We use the term "school" to include school attendance areas. School attendance areas may be designated by an LEA for the purpose of ranking schools in allocating title I funds.

during the preceding fiscal year,[9] the national average per-pupil expenditure, and the amount appropriated by the Congress for the program. The per-disabled-pupil amount that can be allocated for IDEA services is capped at 40 percent of the national average per-pupil expenditure.[10,11]

States use their own formulas to allocate funds. States must provide at least 75 percent of the IDEA funds they receive to eligible LEAs or other public authorities, and they may reserve the rest for statewide programs. Before the 1997 IDEA reauthorization, an LEA entitled to an allotment of less than $7,500 could not receive funding directly, according to federal statutory provisions. Instead, the LEA had to either rely on the state for services or join with other LEAs to collectively meet the $7,500 threshold and receive funds to serve eligible students. In reauthorizing IDEA, the Congress removed the $7,500 threshold. As a result, LEAs, including charter schools that are treated as LEAs, are no longer required to join with other LEAs in order to meet that threshold.

Each state has different procedures for allocating special education aid to LEAs. Some states use census information to allocate a fixed amount per eligible student. Other states allocate funds on the basis of reimbursement rates for allowable expenses. Still other states allocate funding to LEAs on the basis of the severity and types of students' disabilities.

Charter Schools' Federal Funding Arrangements Vary

States use several arrangements to provide funds to charter schools. In general, states allocate title I funds, and IDEA funds or services, to charter schools using one of three approaches. The seven states in our review used all three.

Under the first approach, states treat charter schools as LEAs. That is, SEAs directly allocate title I funds and IDEA funds or services to charter schools. Massachusetts and Minnesota use this approach. California and Colorado, on the other hand, do not consider charter schools to be LEAs. These states treat charter schools as members of an existing school district—that is, charter schools have a "parent" LEA. Under this second approach, states

[9]The reported number of children that received special education services during the previous year may not exceed 12 percent of the total number of all school-aged children in the state during the same period.

[10]This cap has not yet been applied, since the amount appropriated has so far been less than the cap.

[11]The 1997 reauthorization provides that when the Congress appropriates more than $4.9 billion for IDEA, part B, the states will receive their prior fiscal year allocation. Eighty-five percent of the remaining appropriation will be distributed to states on the basis of census counts of school-aged children, and 15 percent will be distributed on the basis of school-aged children in poverty.

allocate title I funds and IDEA funds or services to charter schools' parent LEAs. Charter schools, along with other public schools in the district, then receive their share of funds or services from their parent LEAs. The third approach for allocating funds to charter schools involves a mixture of the first and second approaches. In general, a charter school in a state using this approach receives federal funds directly from the SEA—and thus is treated as an LEA—if the school was chartered by a state agency, or through a parent LEA, if the school was chartered by a district or substate agency. States using this model include Arizona, Michigan, and Texas.[12]

Regardless of which of the three approaches states use, individual charter schools are generally allocated funds on the basis of whether they are treated as (1) an independent LEA, or school district (independent model), or as (2) a dependent of an LEA—that is, as a public school component of a preexisting school district (dependent model). Throughout my testimony, I refer to these two methods in allocating funds to charter schools as the (1) independent model and the (2) dependent model, respectively.

Charter Schools' LEA Status Dictates Minimum Criteria Used to Determine Funding Eligibility

Under title I and IDEA, the Department of Education is responsible for allocating funds to SEAs, which are required to allocate funds to LEAs. LEAs, in turn, may allocate funds to individual schools in their districts. While charter schools operating under the independent model are considered LEAs, charter schools operating under the dependent model are not. Because LEAs are allowed some discretion in allocating funds to individual schools within their districts, whether a charter school is treated as an LEA or as a dependent of an LEA is important.

Under the title I program, SEAs distribute funds directly to eligible LEAs. To be eligible for funds, LEAs—including charter schools operating under the independent model—must meet the minimum statutory eligibility criteria of having enrolled at least 10 children from low-income families and having their low-income children constitute more than 2 percent of their school-aged population. No further distribution of funds needs to occur when an LEA has only one school, as is the case when an individual charter school is treated as an LEA under the independent model.

[12]In Michigan, the only state-level agencies that grant charters to schools are state universities. Other chartering authorities include local school boards, regional intermediate school districts, and community colleges. In allocating federal funds, the state considers all charter schools to be LEAs. However, charter schools receive funds or services through their chartering authority or other intermediary. We, therefore, consider Michigan as using the third approach.

LEAs that have more than one school—including charter schools operating under the dependent model—are responsible for allocating title I funds among their several schools. The federal statute and regulations lay out a complex set of criteria and conditions that LEAs use in deciding how to allocate funds to their schools. The intent of the statute is to shift title I funds received by LEAs to individual schools with relatively higher numbers and percentages of students from low-income families. Individual schools—including charter schools—within a multiple-school LEA, therefore, must potentially meet higher eligibility thresholds than they would if they were each considered an independent LEA. As a result, some charter schools that would have received title I funds under the independent model may not receive such funds because they are components of LEAs.

Under the IDEA program, states have greater latitude than under title I to develop systems of their own to distribute program funds or special education services to schools and school districts. Given this latitude, the manner in which charter and other public schools receive these funds varies by state. For example, Arizona is currently in the process of allocating IDEA funds to charter schools on a pro-rata (per-eligible-student) basis. In Minnesota, the state reimburses charter schools for IDEA-eligible expenses. Yet another state—California—allocates its share of funds to so-called "special education local plan areas." Special education local plan areas are typically composed of adjacent school districts that jointly coordinate special education programs and finances in that state. Schools within these areas generally receive special education services, rather than grant funds.

Charter Schools Report Mixed Results in Receiving Federal Funds

Overall, slightly more than two-fifths of the charter schools we surveyed received title I funds. Survey results indicated that slightly less than one-half of charter schools operating under the independent model, and one-half of the schools operating under the dependent model, received title I funds for the 1996-97 school year. Table 1 shows the number of charter schools surveyed that received title I funds, by funding model.

Table 1: Numbers of Surveyed Charter Schools That Received and Those That Did Not Receive Title I Funds for the 1996-97 School Year, by Funding Model

	Independent	Dependent	Total
Received title I funds	8	6	14
Did not receive title I funds[a]	12	6	18

[a]Eleven of these schools told us they did not apply for title I funds. We could not determine whether they would have received title I funds had they applied.

About one-third of the charter schools we surveyed did not apply for title I funds. Charter school officials who did not apply cited reasons such as they (1) did not have time to do so, (2) knew they were ineligible for funds and therefore did not apply, or (3) found that applying for these funds would cost more than they would receive. Of those that applied for title I funds, two-thirds, or 14 of 21, reported receiving them. Title I funding for these schools ranged from $96 to $941 per eligible student; the average was $499 per eligible student, and the median was $435. The difference in per-student funding is related to the allocation formulas, which take into account the number and proportion of low-income children in the school, district, and county. Title I funds received by these schools represented between 0.5 percent and 10 percent of their total operating budgets. For all but three schools, funds received represented 5 percent or less of the schools' total operating budgets.[13]

With regard to the IDEA program, one-half of our survey respondents received funds or IDEA-funded services. Of all charter schools surveyed, two-fifths of the schools operating under the independent model received funds or IDEA-funded services, while two-thirds of those operating under the dependent model received funds or services. Table 2 shows the number of charter schools surveyed that received IDEA funds or IDEA-funded services, by funding model.

Table 2: Numbers of Surveyed Charter Schools That Received and Those That Did Not Receive IDEA Funds or IDEA-Funded Services for the 1996-97 School Year, by Funding Model

	Independent	Dependent	Total
Received IDEA funds or funded services	8	8	16
Did not receive IDEA funds or funded services[a]	12	4	16

[a]Eleven of these schools told us they did not apply for IDEA funds or services. We could not determine whether they would have received funds or services had they applied.

Overall, about a third of the charter schools we surveyed did not apply for IDEA funds or services. Charter school officials who did not apply cited reasons such as they (1) did not have time to do so, (2) were not eligible for funds, (3) were unaware of the availability of IDEA funds, or (4) found that applying for these funds would cost more than they would receive. Four-fifths of the charter school officials who told us that they applied for IDEA funds or services reported that they received funds or services for the 1996-97 school year. For schools that obtained IDEA funds, as opposed to services, amounts received ranged from $30 to $1,208 per eligible student; the average was $443 per eligible student, and the median was $163. IDEA

[13]This applies to the 13 schools reporting a 1996-97 operating budget.

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funds received by schools represented between 0.08 percent and 2.5 percent of their total operating budgets.[14]

Most Charter School Operators Surveyed Believed They Received an Equitable Share of Title I and IDEA Funds

Regardless of funding model, more than two-thirds of charter school operators expressing an opinion believed that they received an equitable share of both title I and IDEA funding. About one-fourth of the charter school operators we surveyed told us that they had no basis on which to form an opinion or did not answer the question. (See tables 3 and 4). With regard to IDEA funding or IDEA-funded services, however, as many survey respondents under the independent funding model believed that they received an equitable share as believed that they did not receive an equitable share. For charter schools under the dependent model, on the other hand, almost five times as many survey respondents believed that their schools received an equitable share as believed that they did not receive an equitable share. (See table 4.)

Table 3: Charter School Operators' Opinions About Whether They Received an Equitable Share of Title I Funding, by Funding Model

	Independent	Dependent	Total
Received equitable share	9	8	17
Did not receive equitable share	5	3	8
Had no opinion[a]	6	1	7

[a]"Had no opinion" includes nonrespondents and respondents who said they had no basis on which to form an opinion.

Table 4: Charter School Operators' Opinions About Whether They Received an Equitable Share of IDEA Funding or IDEA-Funded Services, by Funding Model

	Independent	Dependent	Total
Received equitable share	7	9	16
Did not receive equitable share	7	2	9
Had no opinion[a]	6	1	7

[a]"Had no opinion" includes nonrespondents and respondents who said they had no basis on which to form an opinion.

In general, charter school officials who told us they viewed title I and IDEA funding as equitable said that the use of established formulas assured them that they received a fair share, and that funds were not being arbitrarily allocated. One official told us that he compared the amount of funds that his school received with that of similar public schools in the area and thought his share was equitable. Officials who told us that they had no basis on which to form an opinion said they had little

[14]This applies to the five schools reporting a 1996-97 operating budget and receiving IDEA funds.

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understanding of the allocation formulas and did not know if funds were equitably allocated. One official told us that she believed her school did not receive an equitable share of funds because the school's parent district used its discretion in allocating higher funding levels to another school in the district. Another official told us he believed funding formulas were biased towards larger schools and school districts, which had the effect of reducing the amount of funds available for smaller schools like his. Yet another charter school operator told us that he believed title I funds were not equitably allocated because funds are not distributed on a per-capita, or per-eligible-student, basis.

Charter School Officials Cited Several Barriers to Receiving Title I and IDEA Funds

On the basis of our preliminary work, charter schools do not appear to be at a disadvantage in terms of how federal funds are allocated. However, our survey has identified a variety of barriers that made it difficult for charter school operators to apply for and receive title I and IDEA funds. For example, three officials told us that because they had no prior year's enrollment or student eligibility data, they were not eligible under state guidelines for federal funds. In its July 1997 report, the Hudson Institute also found that title I funds were typically allotted on the basis of the previous year's population of title I-eligible children, "leaving start-up charters completely stranded for their first year." Two of our three respondents for whom lack of prior year's enrollment data was a problem were newly created schools, while the third was converted from a formerly private institution.

Start-up eligibility issues are not always limited to a school's first year of operations. Some officials noted that their schools are incrementally increasing the number of grades served as the original student body progresses. For example, one school official told us that while the school currently serves grades 9 and 10, the school will eventually serve grades 9 through 12.

Officials we spoke with at other schools during our survey were implementing a similar growth strategy. In these cases, a 1-year lag in reported enrollment data—reflecting past rather than current enrollment—may significantly affect the amount of federal funding to which a school may be entitled. For example, one charter school official we spoke with told us that next year she will receive title I funds on the basis of this year's enrollment of about 100 students. She anticipates, however, that enrollment will increase almost 50 percent next year, and that the school will be eligible for additional title I funding for each of

about 40 newly enrolled students. But because of the time lag in reporting data, the school will have to wait until the following year for the additional funds. Over time, as enrollment stabilizes, these issues will pose fewer problems for school officials. Charter schools that were converted from traditional public schools generally do not have this problem when current enrollment is at or near full capacity and title I eligibility has previously been established.

Moreover, some school officials reported difficulty obtaining the student eligibility data required to receive title I funds. In some states, school officials themselves must collect data on students' family incomes in order to establish eligibility for federal funds. Some officials told us that because of privacy concerns, some families are reluctant to return surveys sent home with students that ask for the income levels of students' households. An official told us that he believed parents may not understand that such data are used to qualify children for free and reduced-price lunches for schools that operate such programs, as well as for establishing the schools' eligibility for federal grant funds.

In other cases, charter school officials must take additional steps to establish their eligibility for title I funds over and above those faced by their traditional public school counterparts. For example, in one state, charter school officials must manually match their student enrollment records against state and local Aid to Families With Dependent Children records to verify student eligibility. The business administrator for a charter school with an enrollment of about 1,000 students told us that it takes him and another staff person approximately 2 full days to complete this process. He said that while this procedure is accomplished electronically for traditional public schools, city officials told him that he had no such option.

Another charter school official told us that timing issues prevented her from being able to access federal funds. For example, she said that her school's charter was approved after the deadline had passed for the state allocation of title I funds to public schools. The same school official said that her lack of awareness of what was required to obtain IDEA funds led her to underestimate the time required to prepare and submit applications, and she was thus unable to submit them on time.

In addition, because charter schools are a recent phenomenon, some officials said that it took time to develop funding allocation policies and procedures with state, district, or local officials for charter schools to

access these funds. For example, the business administrator at a charter school we visited told us that it took numerous visits and phone calls to district officials to understand the allocation processes and procedures, as well as to negotiate what he thought was an equitable share of federal funding for his school. District officials we spoke with noted that because their school district had approved and issued several charters to individual schools with varying degrees of fiscal autonomy, working out allocation issues has taken some time. District officials noted that they have limited time and resources to use in developing new policies and procedures for charter schools, especially because the number of charter schools and their student populations constitute a very small portion of their overall operations.

In some cases, charter school officials noted that they did not receive funds because they failed to meet federal or district qualifying requirements. For example, current federal requirements mandate that LEAs—charter schools operating under the independent model—have at least 10 children from low-income families enrolled and that such children constitute more than 2 percent of their school-aged population. Of 32 schools responding to our survey, 9 had fewer than 10 students who were eligible for title I funds.

Schools operating under the dependent funding model may face more barriers than do schools operating under the independent funding model because dependent-model schools must go through an intermediary—or school district—in accessing federal funds, rather than receiving funds directly from the state. One charter school operator told us that she believed that her school's parent LEA unfairly used its discretion in allocating funds to schools within its district. She said that other schools in the district received higher funding levels than did her school. Even though state officials told her that it was within the LEA's discretion to allocate funds the way it did, she believes that district officials were singling her school out for disparate treatment because it is a charter school. Another charter school operator told us that uncooperative district officials were an obstacle in accessing federal funds because they were unwilling to provide assistance in obtaining funding for her school.

Charter school officials reported encountering barriers in accessing IDEA funds as well. Until June 1997, federal statutory provisions prohibited states from allocating IDEA funding to a school district that would be entitled to less than $7,500. In order to receive funds, such school districts were required to join consortiums with other districts to surpass the

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$7,500 threshold and collectively file a joint application. Given recent federal IDEA appropriations, a school district, or group of districts, is required, in effect, to have enrolled approximately 20 to 25 eligible students to meet the $7,500 threshold. Of the charter schools responding to our survey, 17 enrolled 20 or fewer IDEA-eligible students. Two survey respondents told us that the requirement for schools to join consortiums to access IDEA funds discouraged or prevented them from pursuing these funds.

Moreover, some charter school officials have philosophical differences with IDEA requirements and forego IDEA funding because it does not accommodate their educational methods, according to a charter school technical assistance provider we visited. She said that IDEA requires schools to develop written individualized education programs (IEP) for disabled children, and requires schools to follow specified processes in developing these IEPs. In order to receive IDEA funds, schools must have prepared these IEPs for disabled students. In contrast to preparing IEPs for disabled children only, she said some charter schools approach to education includes considering that all children have special needs. Accordingly, they develop a unique education plan for each child, stressing individualized instruction. The Hudson Institute, in conducting its study, visited charter schools and spoke with school officials and parents who said they preferred that their children not be "labeled" and did not want their educational needs met in "cumbersome, standardized ways."

The application process was also cited as a barrier. However, survey results to date have revealed that of those charter school operators expressing an opinion, more thought that the title I application process was "not at all difficult" than thought it was "very difficult"—over three-fifths versus about one-fourth. Regarding the IDEA application process, somewhat less than half of charter school operators expressing an opinion believed it was "very difficult," while slightly more than half said it was only "somewhat" or "not at all" difficult. Nonetheless, several officials told us that the costs and the time involved in applying for funds and complying with monitoring and reporting requirements were not worth the effort. One charter school official in Arizona told us that he estimated it would cost him about $85,000 to obtain $35,000 in federal funds for his charter schools. Another official in Arizona said that his charter school would only qualify for about $1,000 in federal funding, and he would not bother pursuing any funds unless the grant would amount to about $4,000 or $5,000. Another official told us that she had been unaware that she would be required to file a joint application with other LEAs in

order to receive IDEA funding until the state informed her of the requirement. Another official told us that although she had contacted a local school district that was willing to jointly file an application with her school, a lack of time to prepare the application and the small amount of funds to which her school would be entitled led her to decide not to pursue the funds.

In our discussions with them, several charter school officials emphasized that they had very little time and resources available to devote to accessing title I and IDEA funds. These officials often played multiple roles at their schools, including principal, office manager, nurse, and janitor. One operator told us that it would not be stretching the truth much to say that if all he was required to do was to sign on a dotted line, stuff an envelope, and lick a stamp, he would not have time. Another operator told us that if she receives anything in the mail with the words "title I" on it, she throws it away because she has so little time to attend to such matters. This operator also added that she found the costs of accessing federal funds excessive since she would be restricted in terms of how she could use these funds. She said that it was more reasonable for her to determine how such funds should be spent than for federal and state regulations to dictate these decisions.

Charter School Officials Report a Variety of Factors Facilitate Their Ability to Access Federal Funds

Charter school operators reported that outreach and technical assistance were key factors that facilitated their ability to access federal funds. Other factors cited by school officials included the use of consolidated program applications, the use of computerized application forms and processes, and the ability to rely on sponsoring district offices for grants administration.

Outreach and Technical Assistance Most Frequently Cited as Facilitating Factors

Charter school officials most frequently cited receiving information about the availability of federal funds and how much their schools would be eligible for as facilitating factors in accessing title I and IDEA monies. Officials cited a number of sources from which they had obtained such information, including their own states' departments of education and local school district officials. In addition, charter school officials credited training and technical assistance provided by these sources with helping them to access federal funds.

On the basis of our conversations with school officials, it appears that some states are doing more than others to provide assistance to charter schools. In particular, survey respondents in Arizona reported nearly unanimous praise for the amount and availability of assistance provided by the state department of education. They noted that the state has actively informed them of funding opportunities and offered them technical assistance on many occasions.

A respondent in another state cited the use of consolidated applications as a facilitating factor in accessing funds. Under the title I program, SEAs may allow LEAs to submit one application for several federally funded programs.[15] Another respondent told us that her SEA's use of the Internet, over which she could obtain and submit her school's title I application, facilitated her access to these funds. Still another respondent told us that being able to rely on his charter school's parent LEA for federal grants administration relieved him of the burden of administering the grant and thus facilitated his access to federal funds. Finally, some respondents told us that their schools employed consultants to assist in applying for federal and state funds, which enabled them to focus their time and effort on other matters.

Conclusion

In conclusion, our preliminary work suggests that the barriers that charter schools face in accessing federal funds appear to be unrelated to whether charter schools are treated as school districts or as members of school districts. Rather, other barriers, many of which are not related to the path federal funds take, have had a more significant effect on charter schools' ability to access title I and IDEA funds. These other barriers include state systems that base funding allocations on the prior year's enrollment and student eligibility data, the costs of accessing funds relative to the amounts that schools would receive, and the significant time constraints that prevent charter school operators from pursuing funds. Despite these barriers, most charter school operators who expressed an opinion believe that title I and IDEA funds are equitably allocated to charter schools.

This concludes my statement, Mr. Chairman. I would be happy to answer any questions you or Members of the Subcommittee may have.

[15]These other programs include the title II Eisenhower Professional Development Program, title III educational technology programs, the title IV Safe and Drug-Free Schools and Communities—state and local formula grants—program, and the title VI Innovative Education Strategies program.

Charter Schools Operating in School Year 1996-97 in Selected States, Included in Our Sample, and Responding to Our Survey

States	Charter schools	Percentage of total	Cumulative percentage of total[a]	Schools in sample	Schools surveyed to date	Schools that refused to participate	Schools yet to survey
Arizona	164	34	34	13[b]	9	1	2
California	109	22	57	15[c]	10	1	3
Colorado	32	7	64	3	1	0	2
Massachusetts	22	5	68	7	2	0	5
Michigan	76	16	84	5	4	0	1
Minnesota	19	4	88	6	5	0	1
Texas	16	3	91	1	1	0	0
All others[d]	42	9	100	[e]	[e]	[e]	[e]
Total	**480**	**100**		**50**	**32**	**2**	**14**

[a]Cumulative percentages of total may not add due to rounding of percentages.

[b]Although included in our universe of charter schools, one school had its charter revoked prior to the 1996-97 school year.

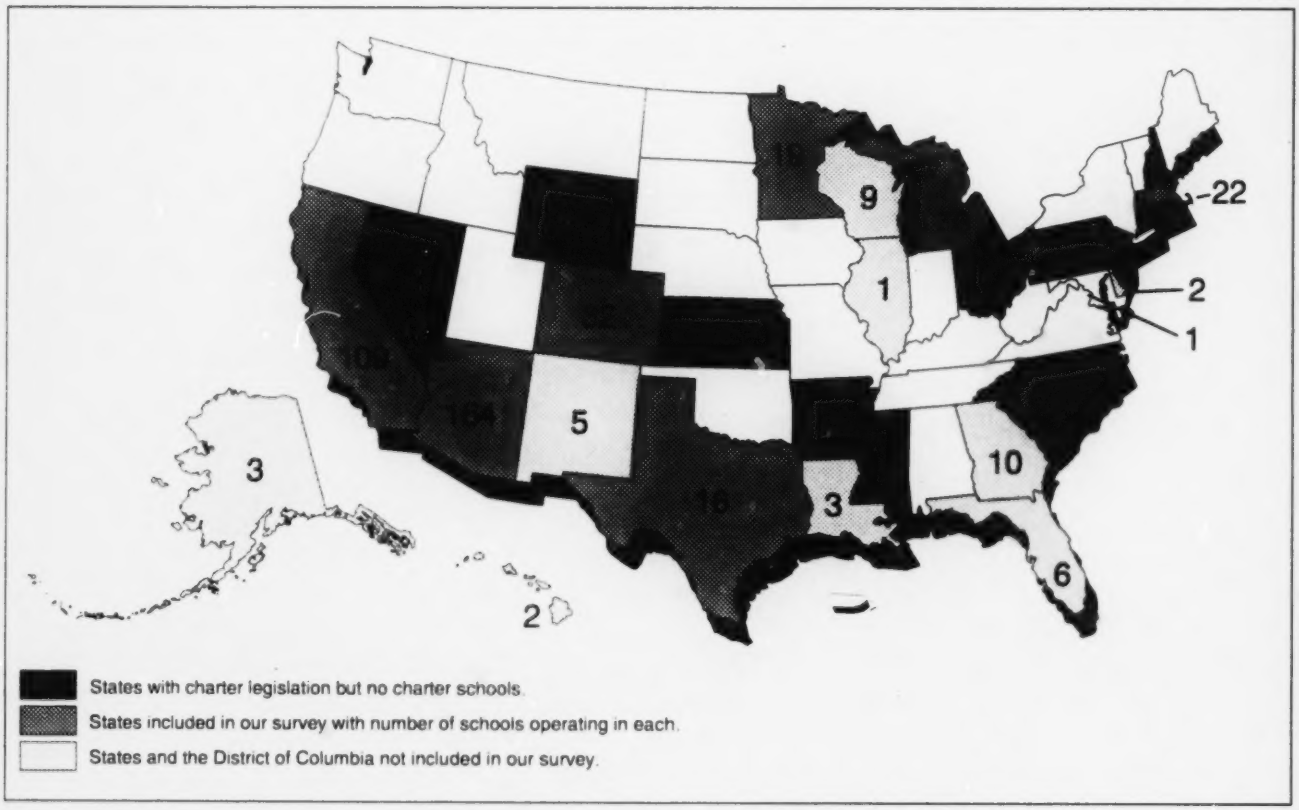
[c]Although included in our universe of charter schools, one school was not yet in operation during the 1996-97 school year.

[d]Charter schools are also located in Alaska, Delaware, the District of Columbia, Florida, Georgia, Hawaii, Illinois, Louisiana, New Mexico, and Wisconsin.

[e]Not applicable.

Sources: Center for Education Reform, Washington, D.C., and GAO analysis.

Charter School States and Number of Schools Operating in School Year 1996-97



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